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California Department of Housing and Community Development Awards Three New Enterprise Zones to Enhance Businesses in California and Announces the Availability of Two New "Renewable Energy" Enterprise Zones in 2011

Governor's Office of Economic Development Applauds Job Creation Move and Will Market New Enterprise Zones

Sacramento – To assist in the creation of jobs and thereby improve California's business climate, the California Department of Housing and Community Development (HCD) today announced the conditional designation for three Enterprise Zones statewide. The zones are Anaheim, Harbor Gateway and Santa Clarita Valley.

The California Enterprise Zone Program targets economically distressed areas using special state and local incentives to promote business investment and job creation. By encouraging entrepreneurship and employer growth, the program strives to create and sustain economic expansion in California communities.

"The Schwarzenegger Administration has approved 36 Enterprise Zones in the last 4 years, the first new designations in the program since it was started in 1986. This program is vital in being able to compete in the global market to attract and retain businesses in California, while at the same time increasing the number of jobs with state and local incentives," said HCD Director Lynn L. Jacobs.

The new designations will take the place of the zones set out in statute which expired in 2010. Each zone designation is in effect for 15 years.

Businesses within Enterprise Zones are eligible for substantial tax credits and benefits, for example:

- Firms can earn \$37,440 or more in state tax credits for each qualified employee hired.
- Corporations can earn sales tax credits on purchases of \$20 million per year of qualified machinery and machinery parts.

- Up-front expensing of certain depreciable property.
- Lenders to Zone businesses may receive a net interest deduction.
- Unused tax credits can be applied to future tax years, stretching out the benefit of the initial investment.
- Enterprise Zone companies can earn preference points on state contracts.
- Up to 100% Net Operating Loss (NOL) carry-forward. NOL may be carried forward 15 years.

The next step in the designation process will be the HCD issuance of a conditional designation letter to each of the new zones. The letters will outline conditions which must be met to be granted final designation. Examples of conditions include a signed memorandum of understanding with HCD, which includes performance measures and benchmarks.

HCD also announces the release of the Request for Proposals (RFP) in January 2011 for the next two Enterprise Zones expiring in early 2012, with conditional awards being announced in August 2011. There will be a strong emphasis on renewable energy (wind, solar, etc.) in this round of applications with an additional 100 bonus points being awarded for applications that demonstrate that commitment.

The EZ program is one of California's largest and most successful economic development tools. The [Governor's Office of Economic Development \(GoED\)](#), which was launched earlier this year to help start, expand and keep businesses in California, will work with HCD to market this important business incentive for companies in California.

"California's economic recovery and its future growth can greatly benefit from additional business incentives. I applaud the Department of Housing and Community Development for working to make the state more business-friendly," said GoED Director Joel Ayala. "In creating two 'Renewable Energy' Enterprise Zones, California continues its commitment to developing the industries of tomorrow. The additional Enterprise Zones will lead to more job creation and business investment which will further accelerate our economic recovery. "

HCD is committed to continuously improving the application process for future designation rounds so that the program will provide the greatest economic benefit for eligible California communities and businesses at the same time it implements the State's environmental goals.

HCD provides leadership, policies and programs to preserve and expand safe and affordable housing opportunities and promote strong communities for all Californians. The Department also supports economic development programs throughout the state. As the lead housing department, HCD is part of the state Business, Transportation and Housing Agency. For more information on the Enterprise Zone Program, visit <http://www.hcd.ca.gov/fa/cdbg/ez>.

The Governor's Office of Economic Development (GoED) was launched by Governor Arnold Schwarzenegger to help stimulate and facilitate economic growth across the state. GoEd serves as a one-stop shop for business needs and can offer assistance,

resources, and other tools to assist with the creation, expansion and retention of businesses. GoED's mission is to make it easier to do business in the state.

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